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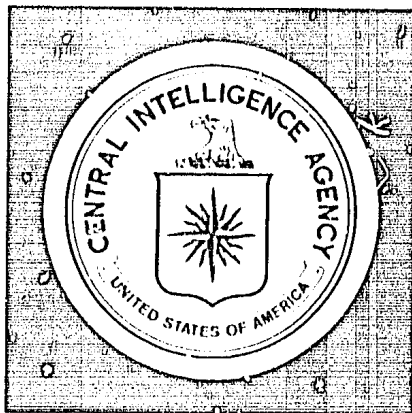
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CENTRAL INTELLIGENCE BULLETIN
28 NOV 1972

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CHILE: President Allende's plan to bargain copper for new Soviet economic aid has provoked the air force general who was recently named minister of mining.

[REDACTED]

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General Sepulveda objected that he had been kept in the dark on the plan and in any case could not approve a matter with such great national and international ramifications without consulting the other two military cabinet ministers. Allende later warned his political advisers that the armed forces might veto the entire plan--a convenient excuse if it does not prosper.

The arrangement reportedly was worked out by a group of Allende's close associates, when he concluded that only the USSR might help him out of his massive economic difficulties and that Chilean copper would serve as useful payment. Despite the storm signal from Sepulveda, Allende still plans to visit the USSR from 5 to 9 December and reportedly hopes to obtain some further economic commitment. (SECRET NO FOREIGN DISSEM)

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PANAMA: A labor dispute in the Canal Zone has complicated US-Panamanian relations.

In the past week, striking Panamanian bus drivers have seized 17 buses belonging to an American-owned company serving the Canal Zone, driven them into Panama, and turned them over to the Panamanian National Guard.

The government sympathizes with the strikers, who have been demanding coverage under Panamanian social security and payment of the Christmas bonus that is standard in Panama. The Foreign Ministry, moreover, has taken the position that services such as the bus company have nothing to do with the operation, maintenance, or defense of the Canal and are illegal under the 1903 treaty.

The government initially adopted a low key approach to the problem and it was given relatively little publicity in Panama. Panamanian officials assured the US Embassy last Tuesday that the vehicles would be returned promptly, but the matter has been allowed to drag on for a week without resolution. Panama has taken no steps to discourage the bus seizures and, indeed, has sought assurances that there would be no reprisals against the drivers involved.

In the past, the Torrijos government has attempted to differentiate between its relations with the US Government and its dealings with Canal Zone authorities. Torrijos has tried to portray the latter in the worst possible light in order to demonstrate the need for a new treaty relationship. Torrijos is apparently enjoying the discomfiture of Zone officials. Although he will probably liquidate the problem gracefully, as times goes on he could be tempted to raise the banner of nationalism, and further harass the bus company. (CONFIDENTIAL NO FOREIGN DISSEM)

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ECUADOR-US: The cabinet and military high command have apparently voted to reject a US proposal to negotiate a settlement of the tuna fishing problem.

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The government has yet to notify the US, but [redacted] the leadership is agreed that resumption of suspended US military aid should be a prerequisite to negotiations. Ecuador appears to be in no hurry to end the "tuna war," possibly because income from fines levied against US tuna boats seized within the claimed 200-mile territorial sea now exceeds the benefits anticipated from a resumption of US military assistance. The navy--which receives about 70 percent of fines, as opposed to about 25 percent of military assistance funds--has fined and quickly released seized vessels in the apparent hope that they would resume fishing and be caught again. Multiple offenders, a class into which many US boats are now falling, are subject to double fines. In addition, a proposal to raise fines by 60 percent is under consideration.

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[redacted] As long as the navy, already in control of the Ministry of Natural Resources, continues to show strength and Rodriguez shows weakness, the impasse over negotiations is unlikely to be resolved. In any event, the navy probably will oppose any settlement before the current tuna season ends in March or April. (SECRET NO FOREIGN DISSEM)

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USSR-GREECE: Moscow has agreed to finance a large peat development project in northeastern Greece.

Under the preliminary agreement signed earlier this month, the USSR will supply about \$51 million of the \$89-million complex. The project includes the construction of three peat-fueled power plants, a dam, pumping station, and a water purification plant. Payment is to be largely in the form of Greek exports of agricultural products, with only 17 percent being made in hard currency.

Final approval from the Greek Government is expected within two months. The agreement could lead to an expansion of Greek-Soviet trade during the next several years by as much as 35 percent annually. Nevertheless, the Soviet share in Greece's total trade is likely to remain small.

Greek businessmen also are negotiating for the purchase of Soviet equipment for a 450,000-ton aluminum plant. They hope to pay for the plant in commodities. Moscow previously had extended medium-term credits totaling \$88 million to a private Greek firm for the purchase of ships, and a 1966 commercial accord called for the Soviets to supply a \$16-million thermal power plant. Because of the shipping company's financial setbacks, however, only a small part of the ship deal was consummated. (SECRET NO FOREIGN DISSEM)

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THE NETHERLANDS: The government's inability to deal effectively with pressing economic problems will cost it votes in tomorrow's national elections, but the minority center-right coalition is likely to remain in power.

Prime Minister Biesheuvel has been vulnerable to criticism that he has followed short-sighted economic policies primarily designed to preserve the fragile unity of his government. The four-party coalition has long disagreed over the need for wage and price controls to combat inflation. The opposition Progressive Bloc, led by the Labor Party, hopes that voter dissatisfaction, and a longer term trend toward the left, will give it enough seats in the next parliament to form a minority government of its own.

The opposition, however, has had little success in exploiting the economic issue. When the Labor Party, supported by the trade unions, threatened last week to call a full parliamentary debate unless the government imposed a price freeze, Biesheuvel undercut the eleventh-hour challenge by announcing selective price controls. The restraints may temporarily slow inflation but are unlikely to have any long-run effect. The consumer price index rose over two percent in the past two months.

Biesheuvel's decision endangered a recent wage-price guidelines agreement that had improved the coalition's electoral prospects. The trade unions, however, supported the government's decision. Although employers claim that price controls will upset the prior agreement on the 1973 guidelines, they are willing to sign the accord after the elections. This support enabled the government in parliament last week to rebuff the opposition's demand for a full price freeze.

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Although the business-oriented coalition Liberals may lose some support as a result of the price restraints, the government parties together with their one-time coalition partner, the Democratic Socialists, should win close to half the vote, according to recent polls. The Democratic Socialists, who bolted the coalition last July when Biesheuvel refused to adopt measures against inflation, probably believe his latest move will facilitate a restoration of the five-party government. (CONFIDENTIAL)

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CYPRUS: Campaigning for the presidential and vice-presidential elections in February is already under way.

President Makarios' second five-year term of office ends in February, and he now appears assured of a third term. He has outmaneuvered the island's three Greek Orthodox bishops who had earlier threatened to defrock him if he ran. To avoid additional moves by the bishops and to prevent his archenemy, General Grivas, from mounting a major campaign for his own candidate, Makarios intends to delay announcing his candidacy until the last moment.

Rauf Denktash, the Turkish Cypriot participant in the intercommunal talks, is in an all-out fight for the vice-presidency with Fazil Kuchuk, the incumbent. Kuchuk has held the post--which constitutionally goes to a Turkish Cypriot--since Cyprus' independence. Denktash, who seems to have Ankara's support, is favored to win, but the bitter contest that appears to be developing may shatter the Turkish community's traditional unity.

Meanwhile, with all eyes focused on the elections, prospects for early progress in the intercommunal talks have disappeared. Both the Greek and Turkish Cypriots believe that compromises in the talks now would cost votes, and neither side foresees any progress until after the elections.
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US-CHINA: Initial reports from the 1972 Fall Canton Fair indicate a step forward in Sino-US trade relations. Over 75 US firms attended the fair and negotiated contracts in excess of \$20 million.

Sales of US goods are estimated at about \$13 million, highlighted by a \$10-million sale of synthetic fibers by Monsanto. Some US firms were invited to Peking for further business discussions and others obtained interviews with Bank of China officials. Additional US sales may result from contacts made at the fair by such major US industrial corporations as Alcoa, Dupont, and Uniroyal.

Total US purchases of Chinese goods reached at least \$9 million, about double the transactions at the spring fair. Chemicals accounted for about \$3.5 million, while other purchases included bristles, nonferrous metals, fireworks, handicrafts, and light manufactures. Some buyers were disappointed over high Chinese prices and shortages of many goods. Lack of most-favored-nation tariff status raised the price of some Chinese goods to unprofitable levels. US importers reported the Chinese willing to meet US administrative procedures such as labeling requirements, even though they have resisted such a practice with other traders.

US participation, however, remains comparatively small. Total two-way transactions will probably top the \$1 billion rung up at the spring fair. As usual, the Japanese contingent was the largest and wrote the most business. China continued the recent trend of using the fairs primarily to promote export sales.
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USSR-CUBA: Two Soviet surface combatants and a diesel attack submarine entered the Caribbean on 26 November. These ships, accompanied by a tanker and an intelligence collection ship, are currently south of Haiti and could arrive in Cuba within the next two days. Soviet warships have made periodic visits to Cuba since 1969, and if the units now en route follow earlier patterns, they will conduct antisubmarine operations with Cuban naval units. (SECRET)

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UN: As formal discussion of terrorism in the General Assembly's legal committee draws to a close, tough bargaining continues on the content of an anti-terrorism resolution. The Arabs are still pressing for a study of the causes of terrorism, not measures to prevent it. The Arabs and Africans want the resolution to protect "national liberation movements" from condemnation. While the US still supports its original call for a diplomatic conference, it considers acceptable a European resolution which instead would ask the International Law Commission to draft an anti-terrorism convention with a view to its adoption in 1973. The European resolution also reaffirms the right of self-determination as outlined in the UN Charter and calls for the establishment of a committee to look into the causes of terrorism. Any resolution, if it is to be adopted by the legal committee, will have to contain at least these minimal nods to Arab and African concerns. (CONFIDENTIAL)

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